MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	-16.06	-16.06	179.4	179.5	4210	4220	3670	3670	9.4	9.4
August	-13.32	-14.04	179.1	179.3	4233	4243	3684	3684	13.6	13.6
September	-16.67	-14.74	179.3	180.1	4260	4260	3695	3695	-4.1	-2.0
October	-15.62	-12.06p	179.8	180.5*	4276	4282	3699	3698	-6.7	-1.3
November	-15.29	-12.93*	179.9	180.7	4289	4297	3701	3701	-11.3	-5.2
December	-14.84	-13.21	179.6	180.6	4305	4321	3702	3709	-13.5	-6.2
January 1987	-15.29	-12.84	179.3	181.0	4323	4336	3704	3709	-11.6	-3.4
February	-15.07	-12.73	179.4	180.8	4347	4351	3712	3712	-10.8	1.7
March	-14.85	-12.29	179.7	180.5	4370	4372	3725	3721	-9.9	3.2
April	-14.63	-13.06	180.0	180.3	4398	4392	3740	3728	-8.9	0.1
May	-14.41	-13.04	180.2	180.5	4426	4419	3751	3739	-7.3	-2.6
June	-14.18	-12.82	179.8	180.7	4454	4438	3765	3742	-6.7	-4.3
July	-15.86	-14.23	179.5	181.1	4467	4463	3766	3754	-1.2	-3.7
August	-15.27	-13.76	179.7	181.0	4480	4478	3765	3754	-1.3	-2.5
September	-14.68	-13.21	180.2	181.2	4492	4499	3762	3759	-5.0	-6.3
October	-14.72	-12.92	180.6	180.9	4517	4525	3770	3768	-9.9	-8.1
November	-14.64	-12.53	180.9	181.3	4536	4544	3777	3771	-15.6	-9.5
December	-14.56	-12.10	181.3	181.6	4556	4565	3784	3776	-19.9	-11.2

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	245.5	245.5	676.1	676.0	2699.1	2699.0	6.56	6.56	5.86	5.86
August	246.8	246.8	687.8	687.6	2723.8	2723.8	6.17	6.17	5.55	5.55
September	248.6	248.6	693.3	693.1	2740.6	2740.2	5.89	5.89	5.35	5.35
October	250.5	249.9	701.8	701.2	2758.4	2764.1	5.83	5.85	5.30	5.26
November	252.9	252.2*	707.3	711.2*	2773.5	2786.5*	5.76	5.93*	5.20	5.38*
December	255.3	254.1	712.8	719.1	2788.2	2808.8	5.68	6.04	5.16	5.44
January 1987	256.4	255.8	719.2	722.6	2804.6	2825.7	5.37	5.72	4.91	5.21
February	257.3	257.0	723.0	727.3	2822.5	2844.1	5.20	5.61	4.95	5.14
March	258.3	258.2	727.8	731.2	2840.8	2859.4	5.16	5.50	4.99	5.07
April	260.1	259.6	732.9	736.0	2859.3	2878.2	5.22	5.32	5.02	5.01
May	262.0	260.9	736.5	739.9	2876.9	2893.5	5.27	5.26	5.03	4.97
June	263.9	262.3	740.1	744.4	2894.5	2911.1	5.33	5.35	5.05	5.02
July	265.2	264.0	744.3	747.9	2910.6	2928.6	5.50	5.38	5.30	5.06
August	266.7	265.5	747.6	751.4	2923.9	2942.3	5.56	5.46	5.34	5.22
September	268.3	267.1	750.9	755.9	2937.2	2959.9	5.62	5.57	5.38	5.34
October	269.9	268.8	756.0	760.2	2956.1	2976.7	5.65	5.72	5.30	5.51
November	271.2	270.3	762.1	763.6	2974.5	2994.6	5.69	5.70	5.26	5.46
December	273.5	271.9	768.1	768.1	2992.8	3012.2	5.73	5.63	5.22	5.43

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	8.88	8.88	7.51	7.51	6.33	6.33	6.37	6.37	8.16	8.16
August	8.72	8.72	7.21	7.21	5.92	5.92	5.92	5.92	7.90	7.90
September	8.89	8.89	7.11	7.11	5.68	5.68	5.71	5.71	7.50	7.50
October	8.93	8.86	7.06	7.08	5.73	5.68	5.75	5.69	7.50	7.50
November	8.76	8.79*	6.89	6.93*	5.70	5.75*	5.72	5.80*	7.50	7.50*
December	8.53	8.65	6.65	6.79	5.64	6.03	5.67	6.06	7.50	7.50
January 1987	8.56	8.57	6.68	6.71	5.30	5.67	5.26	5.76	7.39	7.50
February	8.50	8.51	6.61	6.64	5.17	5.56	5.15	5.59	7.00	7.50
March	8.60	8.45	6.71	6.59	5.12	5.43	5.12	5.48	7.00	7.50
April	8.65	8.36	6.76	6.49	5.17	5.37	5.20	5.43	7.00	7.26
May	8.57	8.29	6.69	6.43	5.26	5.30	5.33	5.39	7.00	7.00
June	8.62	8.42	6.75	6.44	5.35	5.39	5.41	5.51	7.00	7.00
July	8.97	8.56	7.23	6.53	5.63	5.45	5.69	5.58	7.08	7.00
August	9.20	8.75	7.44	6.69	5.68	5.58	5.80	5.69	7.50	7.00
September	9.22	8.89	7.47	6.85	5.70	5.73	5.84	5.82	7.50	7.21
October	8.99	8.85	7.24	6.90	5.73	5.76	5.86	5.87	7.50	7.50
November	8.90	8.92	7.14	6.96	5.75	5.68	5.89	5.76	7.50	7.50
December	8.87	8.90	7.10	6.96	5.72	5.60	5.85	5.72	7.50	7.50

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

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MONTHLY PROJECTIONS
December 1986

Dr. Donald Ratajczak, Director
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INACTIVE FEDERAL RESERVE SEEN IN FIRST QUARTER

Although challenged by some analysts who believe that tax shifting was not as extensive as advertised, the concensus continues to believe that activity during the fourth quarter has been strengthened at the expense of the first quarter of 1987. As a result, the economy during the early months of 1987 will be growing at such a reduced level that further Federal Reserve stimulus will be required according to this reasoning. Our own projections are sympathetic with the argument that expenditures have been shifted into the last months of 1986. Unsustainably low savings rates have been generated by consumers acquiring cars before sales tax deductions are eliminated. A sharp decline in consumer spending almost certainly will develop during the first quarter. Increasing orders and shipments for durable goods also appear to be related to efforts to receive equipment before less generous depreciation schedules are initiated. According to our projections, shipments will be higher in December than in any month during 1987. Moreover, defense shipments have temporarily spurted, although for non-tax reasons. We also believe that construction will begin declining significantly as the new year begins. Declining housing starts already assures some falloff in residential construction while heavier tax problems will slow construction for nonresidential activity. However, nonresidential orders do not yet indicate that a significant falloff in construction is imminent. Even business inventories, which had been declining most of 1986 began rebounding during the fourth quarter. A modest slowing in inventory investment appears likely early in 1987.

In short, the economy probably will slow its rate of growth significantly early in 1987. Our own estimates show a gain of only 1% during the first quarter following a 3.1% rate of expansion in the fourth quarter. This is the type of slowing that might lead to further Federal Reserve initiatives to reduce the discount rate and stimulate the economy.

However, three forces will be working against Federal Reserve initiatives to stimulate the economy. First, all the shifting of activity that strengthens the fourth quarter of 1986 at the expense of the first quarter of 1987 leads to only modest economic dislocation for all of 1987. Once consumers are able to

replenish their depleted savings, automobile sales again will rise. Although nonresidential construction may fall all year, residential construction possibly will be rising again late in the year. Our own projections suggest that capital spending programs will be strengthening as the year progresses. In addition, trade balances almost certainly will be improving during the year. Thus, the Federal Reserve has little reason to stimulate an economy that is temporarily sluggish as a result of expenditure shifting. Only when economic activity shows less than desired recovery from the first quarter sluggishness will the Federal Reserve be prone to seek further stimulus.

Second, unusually large trade deficits recorded late in 1986 suggest that the dollar has not yet fallen sufficiently against other currencies to improve America's trade balances. However, rising sensitive prices suggest that the dollar has fallen sufficiently to rekindle modest industrial inflation in some basic commodities in the United States. The Federal Reserve is more likely to be concerned about the inflationary fallout from further weakness in the dollar's value than about the need to press the dollar downward. Indeed, the dollar probably will fall without Federal Reserve help. Therefore, the Federal Reserve probably will not threaten a runaway collapse in the dollar's value by pushing down a currency that already is falling. The Federal Reserve might respond with lower interest rates if the dollar stages a significant rally against other currencies, but large trade deficits and the resulting current account deficits preclude such prospects from developing in 1987.

Third, inflation is beginning to heat up modestly. Not only are sensitive prices beginning to intensify but oil prices have rebounded from less than $12 per barrel in September to the vicinity of $18 per barrel at the present time. This increase in the price of oil will be reflected in 6¢ - 8¢ increases in the price of gasoline and fuel oil. These gains, in turn, will add about 0.6 percentage points to the CPI and 0.8 percentage points to the PPI in the next few months. As those indices would have increased 0.3% without the addition of rising oil prices, price gains for January and February could be at annual rates of 7% for the CPI and approaching 10% for the PPI. To be sure, oil prices are not expected to rise further. The OPEC target is only $18 per barrel, close to current oil prices. In addition, OPEC production probably will exceed their targeted amounts by more than a million barrels a day. If this develops, oil prices almost certainly will collapse to the $13 - $14 range by the spring. A renewed assault to the $18 range is not likely until the beginning of the next heating season.

Given the near term acceleration of measured inflation, it is unlikely that the Federal Reserve will pursue more stimulative monetary policy. To be sure, inflationary pressures will be as temporary as the temporary sluggishness in the overall economy. However, the Federal Reserve simply cannot afford to lose credibility in its anti-inflation fighting by engaging in monetary ease during period of price stress.

By the end of winter, oil prices will once again be falling. Price increases could diminish to near zero in some spring months. At the same time, further weakness in construction and only a modest rebound in trade balances will be generating less economic growth than the Federal Reserve probably would be anticipating. Therefore, the likely condition for the Federal Reserve to lower the discount rate will not surface until late March or April. One more discount rate cut is anticipated at that time but the range of interest rate declines will be less than a percentage point. Moreover, a return to higher

inflationary pressures toward the end of 1987 may lead to more fundamental interest rate increases at that time. Most interest rates are expected to be slightly higher at the end of 1987 than when the year began.

Sluggish economic growth, increasing inflationary pressures, and no decline in interest rates does not add up to significant price gains on equity markets. Moreover, the corporate sector will be experiencing a significant tax increase. Many corporations already have been forced to lower their earnings to reflect the loss of investment tax credits for the entire year. Further increases in corporate taxes will continue to restrain corporate earnings early in 1987. Tax changes alone probably will lower after-tax returns by more than $11 billion. Operating profits less tax liabilities will fall by a lesser amount, but a decline of $3 - $4 billion in that measure of corporate earnings also is likely. Sluggish economic growth, increased taxes, increased cost pressures as a result of energy inflation and no decline in interest rates certainly means that equity values must fall early in 1987. As a result, the stock market will be under downward pressures during the winter months but might begin rallying after the tax effects gradually subside and energy inflation once again recedes in the spring. Stock market values still are expected to reach new highs in 1987, but the rate of price appreciation is expected to be less than 10%.

Quarterly Profile of GNP

	1986-3	1986-4	1987-1	1987-2	1987-3	1987-4	1986 Annual	1987 Annual
Real:	2.8	3.1	1.0	2.5	2.1	1.4	2.6	2.0
Price:	3.6	3.9	3.9	3.1	3.8	3.8	2.8	3.3
Nominal:	6.4	5.9	4.9	5.7	6.0	5.2	5.5	5.4

Monthly Statistical Highlights for December 1986

Payroll employment +202,000; index of hours worked +0.2%; household employment +221,000; civilian unemployment rate 6.9%; personal income +0.4%; savings rate 2.5%; personal consumption +0.5%; retail sales +0.5%; auto sales 10.7 million; housing starts +1.4%; housing permits -1.8%; construction expenditures +0.2%; business inventories +0.3%; orders for durable goods -2.5%; orders for nondefense capital goods -3.6%; industrial production +0.3%; CPI +0.4%; PPI +0.4%; consumption deflator +0.3%; leading indicator +0.2%; real GNP +2.0%; M1 +18.8%; M2 +7.5%.

Monthly Statistical Highlights For January 1987

Payroll employment +166,000; index of hours worked 0.0%; household employment +182,000; civilian unemployment rate 6.9%; personal income +0.2%; savings rate 3.8%; personal consumption -0.3%; retail sales -2.7%; auto sales 9.3 million; housing starts -1.7%; housing permits -2.7%; construction expenditures -0.4%; business inventories +0.3%; orders for durable goods +0.3%; orders for nondefense capital goods -1.7%; industrial production +0.1%; CPI +0.5%; PPI +0.8%; consumption deflator +0.3%; leading indicator +0.2%; real GNP -0.3%; M1 +9.7%; M2 +7.2%.

COMMENTARY

Employment - The work week, which declined in October, surged in November. Thus, a 249,000 increase in payroll employment constituted a much stronger rate of increase in labor market condition than in the previous month. The insured unemployment rate dipped as low as 2.6% early in December but to 2.7% during the survey week. This is still consistent with a slight decline in the unemployment rate. Tight store budgets probably prevented any significant gains in retail employment but gradually improving manufacturing activity was expected to add to employment of goods-producing industries.

Hourly earnings have grown at a surprisingly robust rate in the past two months, although the increase from the previous year is still a low 2.3%. Some of the increasing earnings continue to develop in the service industries. However, wage surveys for 1987 suggest that service wage gains will grow about a half percentage point less than in the previous year.

Personal Income - The absence of a one-time $5.6 billion annual rate bonus for automobile workers significantly slowed wage and salary gains in November. Further reductions in farm subsidies also caused shrinkage in the gains of personal income. Farm subsidies are expected to remain subdued in December before increasing sharply early in 1987. However, slower employment growth and continuing decreases in interest earnings will lead to relatively sluggish gains in personal income. Taxes are increasing nearly $5 billion per month. However, changes in the tax brackets in January along with readjusted withholding to reflect reduced tax liabilities for wage earners will result in a significant gain in disposable income. Because the savings rate is at unusually low levels in December, this spurt in disposable income will only bring savings up to the 4% range. Indeed, our projections currently show unusually low savings behavior through most of 1987. This is the result of independently generating income and outlay conditions. More likely, property income will be growing faster than current projections suggest. In addition, outlays may be restrained more than currently projected. However, most of the error restraining savings probably is caused by understating income gains by some unmeasured amount.

Apparently, advertisements asking consumers to get their sales tax deduction and buy an automobile proved to be effective. Auto sales were surprisingly strong during the fall following an unusual surge in sales in the summer months. However, these sales almost certainly are borrowing from the first part of 1987. Therefore, durable goods activity should fall significantly. In addition, some of the strength in non-auto durable sales may have been sales tax-induced, although tax payers must maintain proof of sales tax deductions and not use the tax table in order to benefit from the sales tax consequences of purchasing home entertainment units, furniture, and other large household items. Only the automobile receives a separate sales tax line in the current tax forms. A spurt in sales of services in November appears to reflect a slight rebound in utility purchases and a more significant gain in stock activity. As financial charges are expected to slow in December, growth of service expenditures also should slow. Utility rates should remain relatively subdued through most of 1987, leading to modest gains in services expenditures.

Construction - Although reduced mortgage rates have increased real estate activity for previously-owned homes, causing sales to exceed 3.93 million at annual rates in November, sales of new homes remain sluggish. Inventories are now at 6.6 months of sales, which usually means a slight slowing in single-family

starts. For that reason, projections of starts have been lowered early in 1987. As interest rates are expected to fall during the spring, sales are expected to rebound slightly at that time. Nevertheless, single-family starts probably will average less than 1.1 million in 1987. The sharp increase in housing permits during November remains a surprise. Much of the increase was in multi-family units. However, multi-family starts continued to be lackluster. The looming impact of tax reform also suggests that multi-family starts will continue to weaken. Therefore, the increase in permits during November possibly reflects an attempt to seek financing for rental properties, which may never be built if the financing will not be forthcoming. Multi-family activity is expected to average less than 500,000 units in 1987.

Although the weakening of housing starts will have a modest restraining effect upon residential construction expenditures, most of the construction weakness is expected to occur in nonresidential activity. We continue to project significant declines in nonresidential activity beginning in the first quarter of 1987. However, the Dodge reports show a significant improvement in orders for nonresidential construction during November. This anomalous behavior also cannot be explained. Once again, it may be an attempt by investors to seek financing before the beginning of the new year and may reflect contracts that will not be aggressively pursued in the absence of available financing. Because orders are stronger currently than is consistent with the significant dropoff in nonresidential construction, our projections are showing stronger construction activity early in 1987 than originally anticipated. Nevertheless, weakness is expected to persist through most of the year.

Business Activity - Orders for durable goods surged in November, partially as a result of growing orders for defense goods. Defense orders now are exceeding shipments by more than $2 billion and almost certainly will come down in the next couple of months. In addition, rapid gains in defense shipments might reflect a hurry up by defense contractors before new accounting changes significantly influence the tax consequences of their business in 1987. Defense shipments should fall off early in 1987 before rebuilding late in the year. Sharp gains in orders for nondefense capital goods apparently reflect attempts to acquire goods before depreciation schedules become less liberal in 1987. Orders should fall off early in 1987 along with shipments. In addition, capacity utilization remains at a level that should not stimulate much capital spending activity. On average, nondefense capital shipments will increase in 1987 but only by the rate of inflation.

Business inventories began accumulating in October as a result of the 7% increase in automobile inventories. Inventory investments almost certainly will be a major contributor to economic activity during the fourth quarter. Manufacturing inventories showed some stability in the past few months and should begin accumulating early in 1987. Sales growth should lead to more substantial inventory response in 1987 than in earlier years, when the high cost of holding inventories dramatically restrained the level of desired inventories. With interest rates down significantly and signs that industrial inflation are gradually intensifying, these inventory costs are gradually diminishing. Nevertheless, no speculative inventory holdings are expected in 1987.

Prices - Changes in automobile sales dramatically influenced the consumer durables deflator in October. This resulted in a much slower rate of increase

for the consumption deflator than for other inflation estimates. Of course, falling energy prices remained a factor on consumer nondurables. At the present time, however, oil prices are rising. Increasing energy prices will lead to CPI gains at annual rates of 6% in January and February and PPI gains at rates approaching 9% in both months. We are than anticipating that inflationary pressures once again will subside in the spring, causing the CPI to grow at relatively modest rates. On a quarterly basis, the CPI is expected to expand at a 5% annual rate during the first quarter and then slow to a 2.5% rate of expansion in the spring. Growth rates approaching 4% are than anticipated for the second half of 1987. Inflation will gradually intensify although no signs of any runaway inflation are in sight.

The implicit construction deflator is expected to intensify slightly during the next few months, although reduced demand for construction product will prevent that inflation indicator from showing significant gains.

Miscellaneous - Thus far, there is little evidence that the trade balances are significantly improving. Preliminary estimates for November show a record trade deficit. Some of that import surge was the result of goods again flowing into ports following work stoppages in October. In addition, the beginning of a 0.22% user fee for imports may have encouraged some traders to bring goods in earlier. Thus, the surge in imports during November clearly is an abberation. On the other hand, oil imports remained at a relatively subdued 223 million barrels in November with a reported price of only $13.51. With oil prices currently exceeding $17, a rebound in imports of mineral fuels from a monthly rate of $3.2 billion to the vicinity of $4 billion can be anticipated in the next few months. When oil prices fall in the spring, the reduction in imports of mineral fuels will begin to more substantially generate improvements in the trade balances. Nevertheless, the trade improvement will be less than $20 billion according to our projections. This falls far short of the $40 billion that the administration and other optimistic forecasts have been expecting.

Some of the surge in the leading indicators for November reflects a continuation of a rebound in sensitive prices from unusually low levels last August. Although some analysts have argued that this rebound suggests more inflationary pressure ahead, it probably only reflects increased industrial activity at the present time. A continuation of rapid price increases for the sensitive price component of the leading indicators could suggest intensifying inflation ahead, but this probably will not develop for a few more months. The leading indicators also were bolstered by orders and shipments that were trying to be completed before tax laws changed in January. For that reason, some of the strength clearly cannot be sustained. As a result, the leading indicators probably will show only limited further rates of expansion in the months ahead. In fact, when building permits and orders begin subsiding late in 1987 and when increasing inflationary pressures sharply reduce the positive contributions from M2, the leading indicators could actually turn down.

Financial Markets

Inventory rebuilding has been a significant factor propping up short-term interest rates in the past few months. Now that corporate taxes are increased because of retroactive requirements in paying for the lapse in investment tax credit, corporate cash flow will be significantly restrained over the next few

months. Although lower withholding rates for wage earners will partially moderate the restraining influences from higher corporate taxes, corporate borrowings for inventory purposes with the reduced cash flow probably will exert upward pressures upon short-term interest rates through the first quarter. In addition, rising energy prices will increase the costs of holding energy inventories.

On the other hand, the government probably will gradually reduce its need for deficit financing as a result of expenditures restraints and one-time benefits from higher corporate taxes. Although government borrowings could be $45 billion of new cash in the first quarter, borrowings will definitely be in single-digit billions during the spring. Total borrowings for calendar 1987 will be in the vicinity of $175 billion. While this is substantially higher than contemplated by Gramm-Rudman, it is significantly lower than the $220 billion borrowed in the previous year. Thus, the government will be exerting less upward pressures upon interest rates in 1987.

Our current projections would suggest a significant upward swing in credit market pressures as a result of diminished household savings late in the year. However, it appears that property income probably is being understated by government statistics. Therefore, the upward impact upon interest rates exerted by reduced household savings has been ignored.

Although the dollar will be falling in value through much of 1987, interest rate diffenentials should continue to encourage foreign investors to seek American assets. While there is some evidence that foreign investors are shifting their desires from the fixed-income market to American real estate and equity holdings, a sufficient supply of financing from abroad will be available to prevent any significant upsurge in American interest rates during 1987. As mentioned above, interest rates may rise slightly early in 1987 as a result of energy inflation and the inflationary fears generated by a falling dollar. However, economic weakness will become more important again during the spring when energy inflation once again recedes. At that time, a Federal Reserve discount rate cut is expected to materialize. This would lower the prime rate to 7%. Toward the end of the year, however, rising inflationary pressures probably will be exerting upward pressures upon interest rates. Indeed, long-term interest rates are expected to be higher at the end of 1987 than at the present time. Most short-term interest rates will be about the same at yearend as they began the year.

Equity Markets - Increased corporate taxes, possibilities of rising interest rates, and relatively sluggish revenue and profit gains early in 1987 do not bode well for the stock market. A sell off to the 1700 range on the Dow Jones still appears to be possible in the winter months with these events. However, corporate taxes will gradually be dispersed in the form of higher prices where possible or cost constraints. By mid-year, corporate profitability once again will be on the upswing. In addition, consumer sluggishness will have run its course although construction weakness will persist through the remainder of 1987 and into 1988. A further decline in the dollar's value will further improve the opportunities of export-oriented industries and may also increase the profitability, if not the shipments, of import-impacted industries. While increased inflation generated by these price shifts will gradually raise interest rates, corporate profitability is expected to grow even more rapidly. Therefore, the stock market should recover from its early sinking spell and reach new highs toward the end of 1987. Total returns on equity investments may remain in single digits however in 1987.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	100105	100105	117.9	117.9	109882	109882	6.9	6.9	168.9	168.9
August	100261	100283	118.4	118.4	110155	110155	6.8	6.8	169.2	169.3
September	100368	100560	118.4	118.4	109891	109891	7.0	7.0	169.2	169.6
October	100558	100820	118.7	118.7	110169	110240	7.0	7.0	169.9	170.0
November	100713	101069	119.0	119.5	110235	110371	6.9	7.0	170.1	170.7
December	100868	101271*	119.2	119.7*	110278	110592*	7.0	6.9*	170.3	171.1*
January 1987	100993	101437	119.3	119.7	110569	110774	7.0	6.9	170.8	171.5
February	101108	101589	119.3	119.9	110799	110990	7.0	6.9	171.3	171.8
March	101223	101746	119.4	120.1	110990	111171	6.9	6.9	171.9	172.3
April	101462	101923	119.8	120.2	111216	111385	6.8	6.8	172.3	172.8
May	101654	102105	120.0	120.4	111452	111533	6.8	6.9	172.6	173.2
June	101846	102273	120.2	120.6	111688	111759	6.7	6.8	173.0	173.6
July	101993	102428	120.4	120.7	111816	112049	6.6	6.7	173.5	174.0
August	102104	102569	120.5	120.9	111945	112156	6.7	6.8	173.9	174.5
September	102215	102736	120.6	121.0	112074	112275	6.8	6.8	174.4	174.9
October	102420	102903	120.8	121.2	112280	112451	6.8	6.8	174.8	175.4
November	102565	103056	121.0	121.3	112483	112644	6.7	6.8	175.2	175.8
December	102711	103221	121.1	121.5	112687	112849	6.7	6.8	175.6	176.3

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	3.493	3.491	2.072	2.072	110.9	115.0	2.979	2.977	2.868	2.862
August	3.500	3.498	2.083	2.083	95.0	94.1	2.981	2.979	2.886	2.884
September	3.512	3.508	2.090	2.088	56.6	43.1	2.988	2.984	2.889	2.941
October	3.527	3.520	2.101	2.103	104.6	108.0	3.001	2.992	2.897	2.884
November	3.544	3.531	2.108	2.113	116.3	82.4	3.014	2.996	2.898	2.914
December	3.560	3.544*	2.115	2.123*	109.4	75.1*	3.028	3.004*	2.919	2.929*
January 1987	3.564	3.550	2.125	2.129	128.3	114.5	3.057	3.035	2.929	2.921
February	3.577	3.562	2.136	2.138	118.8	117.2	3.066	3.049	2.947	2.932
March	3.592	3.577	2.146	2.149	118.9	116.4	3.078	3.062	2.959	2.946
April	3.613	3.592	2.155	2.159	124.2	113.3	3.097	3.075	2.973	2.962
May	3.632	3.608	2.167	2.169	120.3	103.3	3.113	3.087	2.993	2.984
June	3.652	3.625	2.176	2.180	117.3	101.4	3.130	3.105	3.013	3.004
July	3.664	3.641	2.184	2.188	114.7	96.1	3.138	3.117	3.023	3.021
August	3.676	3.660	2.193	2.200	106.6	94.7	3.146	3.132	3.039	3.037
September	3.689	3.676	2.202	2.208	100.3	86.4	3.154	3.144	3.053	3.058
October	3.709	3.695	2.211	2.220	102.8	89.7	3.170	3.158	3.067	3.068
November	3.728	3.712	2.221	2.228	94.2	82.5	3.185	3.170	3.091	3.088
December	3.748	3.732	2.232	2.240	97.0	82.6	3.201	3.186	3.105	3.103

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CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	2772.7	2766.7	381.1	385.5	932.8	932.3	1448.9	1448.8	2433.3	2427.9
August	2790.2	2788.6	402.4	402.8	937.2	934.9	1450.6	1450.9	2443.2	2440.0
September	2834.9	2844.0	437.1	455.2	936.5	931.2	1461.3	1457.6	2474.6	2476.2
October	2799.1	2785.4	384.3	381.9	944.3	939.4	1470.5	1464.1	2436.1	2419.6
November	2799.8	2815.0	379.8	386.1	941.7	949.0	1478.3	1479.9	2428.3	2438.0*
December	2820.0	2829.1*	382.5	388.9*	949.6	952.2*	1487.9	1488.0*	2437.3	2444.1
January 1987	2829.3	2819.8	379.6	366.7	954.5	957.4	1495.2	1495.7	2437.0	2426.3
February	2846.6	2830.2	384.1	364.1	958.2	962.2	1504.3	1503.9	2443.4	2427.7
March	2858.2	2843.1	386.5	366.5	957.1	963.8	1514.6	1512.8	2445.0	2432.1
April	2871.1	2858.2	389.4	372.1	958.2	964.3	1523.5	1521.8	2449.7	2439.2
May	2891.1	2879.2	393.6	380.9	964.7	967.7	1532.8	1530.6	2462.6	2450.7
June	2909.9	2898.2	393.3	386.0	976.9	973.2	1539.7	1539.0	2470.2	2458.6
July	2919.6	2914.6	395.2	388.9	975.6	978.4	1548.8	1547.3	2470.1	2465.2
August	2935.2	2930.1	396.8	391.8	980.2	982.2	1558.2	1556.1	2474.9	2469.4
September	2948.7	2949.5	399.6	393.9	980.6	991.3	1568.5	1564.3	2477.9	2477.8
October	2962.1	2959.2	397.8	395.3	986.4	989.7	1577.9	1574.2	2480.8	2477.8
November	2984.8	2977.5	405.3	397.9	993.1	995.2	1586.4	1584.4	2491.5	2486.0
December	2998.5	2992.6	404.7	400.7	998.0	998.8	1595.8	1593.1	2494.6	2489.8

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	119.80	119.80	18.88	18.88	10.7	10.7	73.49	73.49	27.43	27.43
August	121.57	121.52	19.13	19.14	12.7	12.7	73.88	73.61	28.57	28.77
September	127.18	128.33	19.22	19.30	16.1	16.1	73.83	73.71	34.13	35.32
October	121.34	121.62	19.15	19.29	10.3	10.3	74.43	74.03	27.76	28.29
November	120.18	122.25	19.53	19.62	9.5	10.5	74.22	74.53	26.43	28.11
December	121.54	122.85*	19.71	19.64*	9.8	10.7*	74.85	74.78*	26.98	28.43*
January 1987	121.16	119.52	19.61	19.46	9.4	9.3	75.23	75.19	26.32	25.87
February	122.00	120.58	19.64	19.43	9.6	9.0	75.52	75.57	26.84	25.58
March	122.21	121.00	19.62	19.50	9.9	9.2	75.44	75.69	27.15	25.81
April	122.64	121.73	19.79	19.56	10.0	9.7	75.52	75.73	27.33	26.44
May	123.67	123.09	19.99	19.61	10.2	9.9	76.04	76.00	27.64	27.48
June	124.59	124.15	20.07	19.68	10.1	10.2	77.00	76.43	27.52	28.04
July	124.71	124.91	20.06	19.81	10.2	10.3	76.89	76.84	27.76	28.26
August	125.28	125.57	20.08	19.89	10.3	10.4	77.26	77.14	27.94	28.54
September	125.45	126.54	20.13	20.03	10.3	10.4	77.29	77.85	28.03	28.66
October	125.89	126.60	20.26	20.06	10.2	10.3	77.75	77.73	27.88	28.81
November	127.31	127.35	19.99	19.90	10.6	10.5	78.27	78.16	29.05	29.29
December	127.63	127.98	20.03	20.02	10.5	10.6	78.66	78.44	28.94	29.52

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CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	1.782	1.782	1.137	1.137	1.759	1.759	378.1	376.6	335.2	333.8
August	1.818	1.795	1.199	1.186	1.673	1.673	382.2	381.4	338.1	337.4
September	1.580	1.664	1.116	1.102	1.613	1.603	382.8	380.3	338.2	335.5
October	1.694	1.628	1.133	1.090	1.592	1.565	384.3	386.5	338.6	341.1
November	1.687	1.598	1.143	1.093	1.576	1.592	385.5	385.3	338.8	339.2*
December	1.680	1.620*	1.141	1.108*	1.583	1.564*	385.9	386.2*	338.2	339.4
January 1987	1.713	1.593	1.152	1.086	1.567	1.522	383.3	384.7	335.1	337.5
February	1.698	1.588	1.150	1.092	1.569	1.497	380.7	383.4	332.2	335.7
March	1.685	1.574	1.136	1.075	1.543	1.483	378.7	382.4	329.6	333.4
April	1.637	1.595	1.121	1.084	1.517	1.486	379.8	380.3	329.7	331.6
May	1.625	1.590	1.115	1.103	1.483	1.473	379.7	380.3	328.7	330.7
June	1.612	1.577	1.112	1.074	1.472	1.462	379.5	379.8	327.7	329.7
July	1.615	1.588	1.120	1.082	1.470	1.467	377.8	379.5	325.7	328.9
August	1.607	1.632	1.117	1.121	1.463	1.513	376.5	378.5	324.3	327.7
September	1.600	1.625	1.099	1.116	1.438	1.526	375.7	380.1	323.0	328.5
October	1.597	1.587	1.087	1.095	1.445	1.507	376.5	379.9	322.9	327.5
November	1.593	1.573	1.084	1.069	1.452	1.492	377.9	379.5	323.3	326.6
December	1.588	1.574	1.080	1.083	1.455	1.481	379.1	378.1	323.2	324.5

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	129.8	129.9	72.5	72.4	175.9	174.3
August	131.9	132.3	73.6	72.5	176.7	176.5
September	132.2	130.5	73.5	73.3	177.1	176.4
October	132.0	134.1	74.3	73.7	178.0	178.7
November	131.7	133.7*	75.2	74.3*	178.6	177.3*
December	131.2	134.3	76.1	74.6	178.6	177.3
January 1987	130.9	133.6	75.5	74.3	176.9	176.8
February	130.6	132.5	75.1	74.5	175.0	176.4
March	130.4	131.6	75.3	74.9	173.0	175.9
April	130.8	129.8	75.4	75.2	173.6	174.5
May	131.1	129.9	75.6	75.3	173.0	175.1
June	131.2	129.2	75.6	75.7	172.7	174.9
July	130.9	128.5	76.1	76.2	170.8	174.8
August	130.6	128.3	76.6	76.1	169.3	174.1
September	131.0	128.0	77.0	76.7	167.7	175.4
October	131.1	127.4	77.2	77.1	168.2	175.4
November	131.4	127.6	77.6	77.4	168.9	174.5
December	131.6	127.5	78.0	77.8	169.5	172.8

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	278.6	278.6	106.22	106.22	27.39	27.39	27.42	27.42
August	278.1	277.5	103.85	103.85	26.33	26.33	27.28	27.28
September	277.8	276.6	108.99	108.72	28.63	28.22	27.22	27.08
October	278.1	276.2	104.63	103.57	27.42	26.91	27.36	27.72
November	278.5	276.5	104.28	109.68	27.05	28.78	27.21	28.07
December	279.0	277.0*	102.89	106.94*	26.43	27.74*	27.13	28.56*
January 1987	279.8	277.4	103.17	107.23	26.46	27.26	27.19	27.72
February	280.7	278.0	104.93	107.46	26.82	27.35	27.10	27.65
March	281.6	278.8	104.86	106.88	26.95	27.52	27.15	27.76
April	282.9	279.4	106.07	108.22	27.46	27.91	27.39	27.89
May	283.5	280.2	106.89	107.63	27.89	27.46	27.67	27.83
June	284.2	280.9	106.55	108.12	27.90	27.84	27.91	27.94
July	285.7	281.8	105.93	107.83	27.51	28.11	27.84	28.11
August	286.5	282.6	105.46	107.54	27.36	28.04	27.56	28.26
September	287.6	283.5	105.67	106.27	27.45	27.69	27.79	28.15
October	289.0	284.4	106.29	106.49	27.82	27.84	27.85	28.31
November	290.1	285.3	107.43	106.65	27.99	27.93	28.01	28.44
December	291.1	286.3	108.21	106.92	28.13	28.07	28.16	28.49

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	591.9	591.9	8.08	8.08	124.9	124.9	79.3	79.2
August	591.9	590.1	7.64	7.64	125.1	125.1	79.2	79.2
September	590.2	588.1	7.67	7.69	125.3	125.1	79.2	79.1
October	591.5	591.3	7.92	8.01	125.5	125.2	79.1	79.0
November	593.6	593.1*	8.05	8.69	125.6	125.9	79.0	79.3
December	595.9	594.8	8.18	8.43*	125.7	126.3*	78.9	79.4*
January 1987	597.8	596.4	8.21	8.50	125.9	126.5	78.9	79.4
February	599.4	597.8	8.15	8.52	126.0	126.7	78.8	79.3
March	602.3	600.0	8.26	8.56	126.2	126.8	78.8	79.2
April	604.6	601.3	8.30	8.60	126.8	126.9	79.2	79.1
May	606.9	603.6	8.34	8.57	127.4	127.1	79.6	79.1
June	608.7	605.1	8.38	8.64	128.0	127.3	80.0	79.1
July	611.5	607.5	8.46	8.70	128.0	127.5	79.8	79.0
August	613.4	609.3	8.57	8.57	128.0	127.6	79.6	79.0
September	615.7	612.4	8.69	8.65	127.9	127.6	79.3	78.9
October	618.0	613.6	8.42	8.93	127.7	127.8	78.9	78.9
November	619.9	616.0	8.65	9.07	127.7	128.0	78.7	78.9
December	622.6	618.1	9.03	8.94	127.9	128.2	78.7	78.9

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